MULTIMEDIA UNIVERSITY

STUDENT ID NO

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FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BBR 2034 – BUSINESS RISK MANAGEMENT

(All sections/Groups)

8 AUGUST 2022
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 2 pages with 1 Section only.
2. Attempt **ALL** questions.
3. The distribution of the marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

Instruction: Answer ALL Questions (100 marks)

Citigroup's Fat-Finger Trade Seen Costing Bank More Than $50 Million

By Sridhar Natarajan, Jennifer Surane, and Swetha Gopinath
3 June 2022

Citigroup Inc. may record losses of at least $50 million following a London staffer's fat-finger trade that caused a flash crash in European stocks last month, according to people familiar with the matter.

The bank is still tallying losses from the mistaken trade and the final figure could balloon higher, one of the people said, asking not to be identified discussing a private matter. A trader in the firm's Delta One trading unit in London was working from home during a bank holiday on May 2 when the person incorrectly added an extra zero to a trade early in European market hours, said the people.

The blunder sparked a five-minute selloff in the OMX Stockholm 30 Index and ultimately wreaked havoc in bourses stretching from Paris to Warsaw and wiping out 300 billion euros ($322 billion) at one point.

The staffer has since been placed on leave as Citigroup reviews the incident, the people said. The firm has so far determined it was human error that resulted in the trade, and not the fact that the staffer was working from home, one of the people said.

The mistake is a blow for Chief Executive Officer Jane Fraser as well as the firm's equities chief Fater Belbachir, who has been seeking to increase revenue Citigroup earns from stock trading. The bank generated $4.55 billion from equities trading in 2021, a 25% increase from a year earlier.

Generally, Citigroup's systems automatically break up such large trades and place them as smaller bets. While some of those smaller mistaken trades were stopped by the firm's internal algorithms following the blunder, others were still allowed to go through. Citigroup is investigating why its algorithms were configured in such a way that the mistaken trades were permitted by the firm's systems, one of the people said.

Citigroup remains in talks with regulators and exchanges about last month's incident, according to one of the people. The firm is in the midst of a years-long overhaul of many of its underlying technologies and systems as it seeks to improve its internal controls -- part of an effort to satisfy a pair of consent orders it entered into with U.S. regulators in 2020.

Source: Adapted from https://www.bloomberg.com/news/articles/2022-06-02/citi-s-fat-finger-trade-seen-costing-bank-more-than-50-million?srnd=wealth

Continued ...

(a) Explain **FOUR (4)** types of potential risks facing Citigroup following the *Fat-Finger* trade with example.

(20 marks)

(b) Assess the risks facing Citigroup using **TWO (2)** risk assessment techniques.

(10 marks)

(c) Discuss **TWO (2)** advantages and **TWO (2)** disadvantages associated with the use of the PESTLE as one of the risk classification systems.

(10 marks)

(Total: 40 marks)

QUESTION 2

(a) Briefly illustrate the **4Ts** of hazard risk response with an example by using a risk matrix.

(12 marks)

(b) Distinguish the term "loss prevention" and "damage limitation" with an example.

(8 marks)

(Total: 20 marks)

QUESTION 3

(a) Briefly discuss risk appetite and risk appetite statement.

(8 marks)

(b) Discuss **FOUR (4)** criteria of a risk appetite statement

(12 marks)

(Total: 20 marks)

QUESTION 4

(a) Briefly explain the concept of Enterprise Risk Management (ERM) with an example.

(5 marks)

(b) Discuss the **THREE (3)** components in Business Continuity Planning (BCP).

(15 marks)

(Total: 20 marks)

End of Paper